

## NEWS RELEASE

25 September 2008

### UPDATE ON OFFTAKE, FINANCING AND ENGINEERING ACTIVITIES

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The Board of Vulcan Resources Limited (ASX: VCN, FSE: VUA, WKN: A0HHEF, Norwegian OTC: VCNR) has reviewed activities at its 100% owned Kylylahti Project in Finland.

Discussions with potential off-take partners have resumed following the end of the northern summer. A Letter of Intent was executed in April 2008 with Talvivaara Mining Company plc which envisaged the purchase and treatment of Kylylahti nickel-cobalt concentrate at its hydrometallurgical facility. The parties agreed in the Letter of Intent to undertake a joint technical study on the viability of treating concentrate at Talvivaara's facility. This study is continuing.

Vulcan's plans for debt finance have been progressing well with the company receiving extensive expressions of interest and detailed proposals from lending institutions. Vulcan has applied to Finnish Government agencies for support to the lending package through provision of guarantees and infrastructure grants. Any debt facility is subject to Vulcan completing its off-take negotiations and the Company securing its equity contribution to capital expenditure.

The Board of Vulcan believes that until off-take agreements are completed and equity markets recover or an alternative financing strategy is secured, expenditure on engineering in preparation for a start to construction activities at the Kylylahti copper-cobalt project this calendar year should be deferred. Deferring the commencement of site works will preserve Vulcan's significant cash balance (AUD34 million at August 31<sup>st</sup>) through a prudent and measured approach to expenditure over the balance of this year.

The decision to defer project expenditure is not a reflection on project economics, rather the project remains robust with the key commodities of copper and cobalt remaining well above the long term prices assumed in the Definitive Feasibility Study. The study assumed US\$2.50/lb for copper and US\$16/lb for cobalt, compared to current prices of US\$3.15/lb and US\$36.75/lb respectively.

The engineering to date and updated resource estimate later this year will permit a rapid resumption of project development activity when appropriate.

Talvivaara is a Helsinki based mining company listed on the main board of the London Stock Exchange and is included in the FTSE 250 index. Its main activity is the development of the nickel-copper-zinc-cobalt deposits in Sotkamo in central Finland. The mine and processing plant are 150 kilometres north of Kylylahti.

A number of parties have submitted offers to purchase Kylylahti copper-gold concentrates and these will be evaluated in coming months.

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**About Vulcan**

Vulcan Resources Limited is a base and precious metals development and exploration company in Finland.

The Company's primary focus is the development of the 800,000 tpa 100% owned Kylylahti copper-cobalt project located in eastern Finland which has a Resource of 7.85 million tonnes grading 1.17% copper, 0.24% cobalt, 0.22% nickel, 0.49% zinc and 0.70 g/t gold (for Resource classification, see ASX release dated 26/06/07).

A Definitive Feasibility Study has been completed on a 10 year underground mine and concentrator producing copper-gold and zinc-cobalt-nickel concentrate for sale. All environmental and mining permits for the Project are in place.

The Kuhmo Nickel Project is 95% owned by Vulcan and has a Resource containing 38,000 tonnes of nickel metal and over 80,000 ounces of platinum and palladium (for Resource classification, see ASX release dated 22/08/06).

Vulcan also has extensive iron-vanadium-titanium and nickel-copper projects in northern Finland.

Vulcan is listed on the Australian Stock Exchange (VCN), the Frankfurt Stock Exchange (VUA) and the Norwegian OTC (VCNR).

**Competent Person Statement**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled and reviewed by Dr Alistair Cowden BSc (Hons), PhD, MAusIMM, MAIG, Mr Nicholas Walker, BSc (Hons), MSc, MAIG and Mr Jarmo Vesanto, MSc, MAusIMM, who are full time employees of the Company and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Alistair Cowden, Mr Nicholas Walker and Mr Jarmo Vesanto consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

**Cautionary Statement**

No stock exchange, securities commission or other regulatory authority accepts responsibility for the adequacy or accuracy of this release or has approved or disapproved the information contained herein.

Statements regarding Vulcan's plans with respect to its mineral properties are forward-looking statements. There can be no assurance that Vulcan's plans for development of its mineral

properties will proceed as currently expected. There can also be no assurance that Vulcan will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of Vulcan's mineral properties. Circumstances or management's estimates or opinions could change. The reader is cautioned not to place undue reliance on forward-looking statements.

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